
MONTH IN REVIEW: FEBRUARY 2000

Reports, Testimony, Correspondence, and Other Publications

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If you have questions about the Month in Review, please call Susan Becker, Acting Director of Public Affairs, at (202) 512-4800. For information on specific reports, please contact appropriate GAO staff. GAO publishes the names of key contacts and their telephone numbers in each report.

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Agriculture and Food

Biotechnology: Information on Prices of Genetically Modified Seeds in the United States and Argentina

GAO/RCED/NSIAD-00-55, Jan. 21 (25 pages).

Biotechnology is changing the face of agriculture, with farmers adopting genetically modified seeds at unprecedented rates. The global area planted with these seeds increased more than fifteenfold between 1996 and 1998. The genetically modified seeds that are the most widely grown are herbicide—tolerant soybeans and insect-resistant corn—specifically, Roundup Ready soybeans and *Bacillus thuringiensis* (Bt) corn. Farmers in the United States and Argentina have been at the forefront of adopting this new seed technology. Although genetically modified seeds can be a powerful weapon in a farmer's arsenal of weed control and insect protection tools, these seeds have typically sold for a premium over conventional varieties. U.S. farmers have raised concerns about the pricing of genetically modified seeds. This report provides information on the (1) prices of Roundup Ready soybean seeds and Bt corn seeds in the United States and Argentina and (2) major reasons for any price differences between the two countries for these seeds.

Beef and Lamb: Implications of Labeling by Country of Origin

GAO/RCED-00-44, Jan. 27 (23 pages).

All meat entering the United States must be marked by country of origin. Once the meat is sliced, cut, ground, or processed, however, that identification may be lost. Similarly, livestock entering the United States must be labeled by country of origin but becomes part of the domestic meat supply when slaughtered. Several bills have been introduced over the years that would have required imported meat and animals to be labeled by country of origin all the way to the consumer. Proposed legislation now before Congress—H.R. 1144—calls for labeling fresh and processed meat from cattle, sheep, swine, and other hoofed animals through to the ultimate purchaser, which is generally the consumer. It also requires that meat from imported animals slaughtered in the United States be identified by the country or countries in which the animal was born and raised. GAO found that it is difficult to quantify the cost of labeling meat by country of origin or to put a value on the potential benefits. Clearly, such labeling would benefit consumers who want to know where their food comes from.

and might boost sales in some sectors of the U.S. meat industry. These benefits, however, would come with costs. All industry sectors expect to incur compliance costs that may be passed on to consumers, and some level of federal enforcement resources would be needed. Also, a meat labeling law could have adverse trade implications.

**Pork Industry:
Trade Barriers and Other Factors Limit Federal Programs'
Potential to Increase Exports**

GAO/RCED-00-41, Feb. 1 (46 pages).

By the end of 1998, pork producers had increased production by more than 700,000 metric tons over the previous year, resulting in a surplus of pork products. As a result, the prices for hogs sold in the open market fell 36 percent—from an average of \$54 per hundredweight in 1997 to an average of \$35 per hundredweight. At the same time, the overall value of pork products fell from \$13 billion in 1997 to \$9 billion in 1998. The Department of Agriculture (USDA) launched several programs to help pork producers, especially those with small operations. These programs generally involved some form of direct federal payment to producers. This report discusses the (1) extent to which other countries' trade practices and U.S. cargo preference laws are barriers to exporting more pork products, (2) extent to which existing federal programs could be used to increase pork exports, and (3) potential for increased pork exports to strengthen the U.S. agricultural trade balance and improve producer prices.

**USDA Reorganization:
Progress Mixed in Modernizing the Delivery of Services**

GAO/RCED-00-43, Feb. 3 (21 pages).

Since 1995, the Department of Agriculture has been reorganizing and modernizing to improve the efficiency, effectiveness, and economy of programs that support agriculture and rural areas. Much of this effort has focused on USDA's county-based agencies: the Farm Service Agency, the Natural Resources Conservation Service, and the agencies involved in rural development. GAO found that USDA's progress in carrying out its initiatives has been mixed. USDA has closed more than 1,000 of its 3,726 county offices and established collocated service centers throughout the country. It has also set up personal computers and a modern

telecommunications network at most of its service centers. Despite these efforts, little has changed in how the three agencies serve their customers, and many modernization and reengineering projects have encountered delays. The three major issues that have impeded USDA's progress are the (1) lack of a comprehensive plan to guide the modernization effort, (2) lack of a management structure with the accountability and the authority to resolve differences among the agencies, and (3) need for change in the existing organizational structure.

Budget and Spending

Accrual Budgeting: Experiences of Other Nations and Implications for the United States

GAO/AIMD-00-57, Feb. 18 (217 pages).

Accrual and cash-based costs are similar for many government activities. However, accrual measurement would move budget recognition forward for the costs of some programs, such as insurance and pensions, which involve future cash flows. The opposite would be true for the purchase of capital assets: accrual measurement would provide a later recognition of those costs. Other nations have moved toward greater use of accrual concepts in budget reporting. This report discusses what lessons the early experiences of six countries—Australia, Canada, Iceland, the Netherlands, New Zealand, and the United Kingdom—might offer the United States. Despite obvious political, cultural, and economic differences between the United States and these countries, their early experiences offer insights as the United States considers ways to improve budget recognition of long-term commitments and continues to seek improvements in government performance and accountability.

Testimony

Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus, by David M. Walker, Comptroller General of the United States, before the Senate Committee on the Budget. GAO/T-AIMD-00-73, Feb. 1 (24 pages).

The United States stands at a crossroads. After nearly 30 years of federal deficits, a combination of hard policy choices and remarkable economic growth has led to a budget surplus. The Congressional Budget Office projects both unified and on-budget surpluses throughout the next 10 years. Continuing budget surpluses, however, will neither eliminate the

need for prudent stewardship of the national economy nor absolve the government of its responsibility to make good use of taxpayer dollars. The Comptroller General's testimony discusses selected performance challenges within federal agencies and programs and possible changes to congressional oversight to help address such problems. Drawing on the breadth of GAO's work, the Comptroller General provides examples that respond to the following five thematic questions: What federal services could be better provided by the private sector? What federal subsidies to individuals, businesses, or state and local governments are no longer needed or poorly targeted? What overlapping or fragmented programs could be consolidated or better coordinated? What federal facilities or locations are outmoded, ineffective, or in excess to requirements? In which areas could major federal capital investments be more cost effective? In related correspondence, GAO provides a list of federal programs, projects, activities, and facilities that Congress could consider for possible termination, reduction, deferral, or reform. (See GAO/OCG-00-3R, Nov. 1.)

Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance, by David M. Walker, Comptroller General of the United States, before the House Committee on the Budget. GAO/T-AIMD-00-96, Feb. 17 (46 pages).

No matter how large the projected budget surpluses may turn out to be, the government still has a responsibility to make the most prudent use of taxpayer dollars. The question of what to do with the surplus has largely focused on such options as new spending, tax cuts, and retiring the debt. But the surplus also affords policymakers a crucial opportunity to restore the public's trust and confidence in government by addressing known performance problems in federal agencies and programs. Resolving these problems could save taxpayers billions of dollars and dramatically improve the delivery of services to the American people. For example, nine federal agencies estimate that they made improper payments of more than \$19 billion in fiscal year 1998 alone. And GAO continues to include 26 federal agencies and programs on its list of government areas at high risk for waste, fraud, abuse, and mismanagement. At the same time, many government programs were designed long ago. It seems appropriate at the start of a new century to question the relevance or "fit" of any government program in today's world. Weeding out wasteful and inefficient programs that have outlived their usefulness can provide the budgetary flexibility needed to address looming cost pressures and emerging needs, such as the impact of baby boomer retirements on the growth of Social Security and

health care outlays. Also, those activities that remain relevant may need to be updated and modernized—through redesigned formulas, enhanced cost sharing by beneficiaries, and consolidation of facilities—to improve their targeting and efficiency. The Comptroller General’s testimony draws on the full breath of GAO work to highlight many examples of significant performance problems in federal agencies and programs. These examples are organized around the following four broad themes: (1) attacking waste, fraud, abuse, and mismanagement in order to reduce the risks and costs associated with delivering major federal programs; (2) improving the economy and the efficiency of federal operations by taking advantage of opportunities to restructure and streamline; (3) reassessing what the federal government does and considering the termination or revision of outdated programs and services; and (4) redefining the beneficiaries of federal programs, including who is eligible for, pays for, and benefits from a particular program.

Fiscal Year 2001 Budget Request: U.S. General Accounting Office, by David M. Walker, Comptroller General of the United States, before the Subcommittee on Legislative, House Committee on Appropriations. GAO/T-OCG-00-1, Feb. 1 (16 pages); and

Fiscal Year 2001 Budget Request: U.S. General Accounting Office, by David M. Walker, Comptroller General of the United States, before the Subcommittee on the Legislative Branch, Senate Committee on Appropriations. GAO/T-OCG-00-5, Feb. 29 (17 pages).

Maintaining and enhancing GAO’s ability to serve Congress in today’s rapidly changing global environment present several challenges. Although GAO is 40 percent smaller today than in 1992, congressional demand for the agency’s work continues to increase. At the same time, in a period of fiscal restraint, GAO cannot expect significant increases in its budget or in its staffing level. In response to this reality of constrained resources and rising demand for its services, GAO is taking steps to maximize its effectiveness; manage risks; and boost staff productivity, efficiency, and effectiveness. During the last year, GAO launched a client outreach effort to help it better meet congressional needs, issued a draft strategic plan that spells out the current and emerging issues that GAO will likely focus on during the next six years, strengthened communication within the agency, began redesigning its employee performance appraisal system, and replaced obsolete computer hardware and software. GAO will be seeking legislative authority that will give the agency additional flexibility to manage its most important resource—human capital. The legislation

would allow GAO to offer early-outs to selected employees in order to avoid a workforce imbalance that could undermine the agency's future ability to serve Congress. To improve its ability to hire technical talent, such as computer specialists and actuaries, GAO will also seek authority to offer these individuals salaries at senior executive levels. For fiscal year 2001, GAO is requesting \$402.9 million. The funding increase would cover mandatory cost-of-living adjustments in federal pay and uncontrollable cost increases in transportation, supplies, contracts, and other essential mission support services. GAO would also be able to undertake a host of much-needed initiatives, from strengthening its programs that recognize and reward employee performance to upgrading its network software. GAO continues to deliver a tremendous return on investment. In fiscal year 1999, for every dollar spent on GAO, the agency's work yielded financial benefits of about \$57—or about \$20.1 billion in total. GAO's fiscal year 2001 budget request is designed to strengthen the agency so that it can remain a valuable asset to Congress and, ultimately, the American people.

Correspondence

Budget Issues: Potential Candidates for Congressional Oversight.
GAO/OCG-00-3R, Nov. 1.

Business, Industry, and Consumers

Northern Mariana Islands: Garment and Tourist Industries Play a Dominant Role in the Commonwealth's Economy

GAO/RCED/GGD-00-79, Feb. 14 (90 pages).

The Commonwealth of the Northern Mariana Islands is a U.S. territory with commonwealth status in the western Pacific. The covenant establishing the Commonwealth of the Northern Mariana Islands places them under U.S. sovereignty and grants U.S. citizenship to people born there, but pledges self-government for local affairs. The Islands control their own immigration policy and set their own minimum wage, which, at \$3.05 per hour, is substantially below the minimum wage in the United States. Businesses in the Islands, particularly in the garment and tourist industries, employ many foreign workers who have work permits that do not lead to citizenship. This report answers the following questions: What has been the impact of the garment and tourist industries and the use of foreign workers on the economy of the Mariana Islands? How do the revenue-raising efforts of the Mariana Islands and the payments that they receive from the U.S. Treasury compare with those of other U.S. territories

and freely associated states? How do the taxes and fees paid by the garment industry in the Mariana Islands, expressed as a percentage of gross receipts, compare with the taxes and fees paid by the garment industry in the United States?

Correspondence

Small Business Administration: Status of Mandated Planning for Loan Monitoring System. GAO/AIMD-00-105R, Feb. 24.

**Economic
Development**

**U.S. Infrastructure:
Funding Trends and Opportunities to Improve
Investment Decisions**

GAO/RCED/AIMD-00-35, Feb. 7 (73 pages).

A sound public infrastructure plays a vital role in encouraging a more productive and competitive national economy. Public facilities are also vital to immediate as well as long-term public demands for health, safety, and improved quality of life. For example, transportation systems and water supplies directly support the nation's economy by facilitating the movement and manufacture of goods. Public schools, housing, parks, and other facilities enhance the quality of life of all Americans. The United States has historically made an extraordinary investment in its infrastructure. For instance, the federal government has spent an average of \$149 billion each year since the late 1980s on the nation's infrastructure. The amount of federal spending on infrastructure has been on the decline since 1987, however. This trend is driven, in part, by lower defense spending for infrastructure and by limits imposed by deficit reduction agreements on the government's discretionary spending—the part of the budget that finances most federal spending on infrastructure. In contrast, federal spending on nondefense infrastructure has risen slightly, and spending by state and local governments continues on an upward trend. Spending on infrastructure is often intended to benefit the nation's economy, but studies on whether it has spurred economic growth have shown mixed results. Federal agencies can improve their acquisition and management of infrastructure by following the best practices of leading government and private-sector organizations. Federal agencies and Congress face several challenges in determining the appropriate levels of and effective approaches to infrastructure investment. There is a general lack of accurate, consistent information on the existing infrastructure and its future needs. Moreover, until recently, agencies have not been required

to relate their planned infrastructure spending to their missions and goals, so evaluating these plans has been a challenge for agencies and Congress. Finally, the federal budget structure does not prompt explicit debate about infrastructure spending that is intended to have long-term benefits. To better coordinate infrastructure investments to meet national, regional, and local goals and make them mutually supportive, agencies throughout the government need to reduce inefficiencies in their current investments and analyze potential investments to identify those that yield the greatest benefits in the most cost-effective way.

**Disaster Assistance:
Issues Related to the Development of FEMA's
Insurance Requirements**

GAO/GGD/OGC-00-62, Feb. 25 (27 pages).

The Federal Emergency Management Agency (FEMA) has proposed that funding under the Public Assistance Program for buildings damaged in a disaster be limited to those state and local agencies and other public entities that maintain specified minimum levels of insurance coverage. The draft regulation is intended to remove a disincentive under current rules for such entities to both carry insurance and manage their risk of disasters, according to FEMA. FEMA's draft regulation could have significant financial implications for states, municipalities, and private nonprofit hospitals and universities. This report evaluates FEMA's efforts to develop its draft insurance regulations. GAO (1) determines the extent to which FEMA obtained and incorporated input for state and local agencies and public entities likely to be affected by the draft regulation; (2) evaluates FEMA's compliance with Executive Order 12866, the Regulatory Flexibility Act, and applicable guidance governing the rulemaking process; and (3) assesses FEMA's internal rulemaking processes and procedures.

Education

**Early Childhood Programs:
Characteristics Affect the Availability of School
Readiness Information**

GAO/HEHS-00-38, Feb. 28 (22 pages).

The federal government spent about \$14 billion in 1997 on programs devoted to early childhood education and care. These programs have various goals and provide different services and support to children and

their families. Because of this large federal investment and the attention now being given to early childhood experiences, there is interest in the effectiveness of early childhood education and care programs, especially with respect to preparing children to enter school-known as “school readiness.” This report (1) categorizes federal early childhood education and care programs for a better understanding of the federal involvement in achieving school readiness and (2) discusses available information on the effectiveness of selected programs in contributing to school readiness.

Correspondence

VA Student Financial Aid: Potential Effect of Providing Education Tax Benefit Eligibility to Students Receiving VA Assistance. GAO/HEHS-00-40R, Jan. 27.

Employment

National Service Programs: Two AmeriCorps Programs’ Funding and Benefits

GAO/HEHS-00-33, Feb. 15 (29 pages).

AmeriCorps—the largest national and community service program since the Civilian Conservation Corps of the 1930s—is now in its sixth year of operation. AmeriCorps consists of four programs that help participants pay for postsecondary education in exchange for doing community service. AmeriCorps estimates that it spent \$477 million in fiscal year 1999 to support about 53,000 AmeriCorps participants. Because of continuing congressional concerns about the average annual cost per AmeriCorps participant, GAO identified and compared these per participant costs with other similar groups providing community service. This report provides information on participant costs for both the AmeriCorps*State/National and AmeriCorps* National Civilian Community Corps programs. GAO provides cost and other data for the 1998-99 program year, including information on overhead expenses, education awards, and child care benefits.

Correspondence

Occupational Safety and Health: Federal Agencies Identified as Promoting Workplace Safety and Health. GAO/HEHS-00-45R, Jan. 31.

Energy

Nuclear Regulation: NRC Staff Have Not Fully Accepted Planned Changes

GAO/RCED-00-29, Jan. 19 (61 pages).

The Nuclear Regulatory Commission (NRC) has been moving from its traditional regulatory approach, which was largely developed without the benefit of quantitative estimates of risk, to an approach—termed “risk-informed regulation”—that considers relative risk in conjunction with engineering analyses and operating experience. NRC believes that such an approach would reduce the unnecessary regulatory burden on licensees and lower their costs without reducing safety. NRC also believes that this approach will increase the agency’s effectiveness and efficiency. NRC’s move to a risk-informed approach is a major change to its culture. Ultimately, this approach will apply not only to the nation’s 103 operating nuclear power plants but to thousands of entities that are licensed to use nuclear materials in medical, academic, and industrial applications; process, enrich, and fabricate uranium ore into fuel for nuclear power plants; and dispose of radioactive waste generated by these and other activities. This report discusses (1) the views of NRC staff on the quality of the work that the agency does, the management and staff’s involvement in changes occurring in the agency, and the move to a risk-informed regulatory approach and (2) the status of NRC’s efforts to develop a strategy to implement a risk-informed regulatory approach.

Nuclear Weapons: Challenges Remain for Successful Implementation of DOE’s Tritium Supply Decision

GAO/RCED-00-24, Jan. 28 (44 pages).

The Energy Department (DOE) has not produced tritium—a radioactive gas that must be replaced periodically in nuclear weapons if they are to work as intended—since the last of its production reactors was shut down in 1988 because of safety and operational problems. DOE has been considering two technologies to produce tritium: a commercial reactor and an accelerator. In 1997, DOE requested proposals from commercial reactor allow for the agency to buy either a reactor or irradiation services. The Tennessee Valley Authority (TVA), the only responsive bidder, offered proposals to finish building a partially complete commercial reactor and to provide irradiation services. In December 1998, DOE chose the commercial reactor technology option, specifically the purchase of irradiation services

from TVA's commercial power reactors, as the means to produce tritium. DOE also decided to continue to develop and design—but not to construct—an accelerator that could function as a backup for the production of tritium. This report determines (1) if the cost estimates used by DOE during the process of selecting between the tritium production technology options were comparable and adequately supported; (2) what management, technological, and legal activities could affect the completion of the commercial reactor on schedule and within budget; and (3) whether DOE's current plan to develop and design the accelerator is an effective backup that the agency could build and operate within cost and schedule estimates.

**Energy Policy Act of 1992:
Limited Progress in Acquiring Alternative Fuel Vehicles and
Reaching Fuel Goals**

GAO/RCED-00-59, Feb. 11 (38 pages).

Congress passed the Energy Policy Act in 1992 to encourage the use of alternative fuels, such as ethanol, propane, and electricity, in cars and light trucks. GAO found that since 1992, some, albeit limited, progress has been made in acquiring alternative fuel vehicles and reducing the consumption of petroleum fuels in transportation. However, the act's goal of replacing at least 10 percent of petroleum fuels with alternative fuels in 2000 and 30 percent in 2010 will not be achieved under current economic conditions. The act's goals for fuel replacement are not being met principally because alternative fuel vehicles have significant economic disadvantages compared to conventional gasoline vehicles. Fundamental economic impediments—from the relatively low price of gasoline to the lack of refueling stations for alternative fuels to the higher cost to buy these vehicles—explain why both mandated fleets and the general public are not inclined to acquire alternative fuel vehicles and use alternative fuels. Any effort to significantly expand the use of alternative fuel vehicles will need to address their current cost disadvantages relative to vehicles that use gasoline.

Correspondence

Motor Fuels: Gasoline Price Spikes in Oregon in 1999. GAO/RCED-00-100R, Feb. 23.

Environmental Protection

Aviation and the Environment: Aviation's Effects on the Global Atmosphere Are Potentially Significant and Expected to Grow

GAO/RCED-00-57, Feb. 18 (48 pages).

Aviation emissions are a potentially significant and growing percentage of greenhouse gases and other emissions that are thought to contribute to global warming. Aircraft emissions are potentially significant for several reasons. First, jet aircraft are the main source of human emissions deposited directly into the upper atmosphere, where they may have a greater warming effect than if they were released at the earth's surface. Second, carbon dioxide—the primary aircraft emission—is relatively well understood and is the main focus of international concern. For example, it survives in the atmosphere for nearly 100 years and contributes to global warming, according to the Intergovernmental Panel on Climate Change. The carbon dioxide emissions from worldwide aviation roughly equal those of some industrialized countries. Third, carbon dioxide emissions, combined with other gases and particles emitted by jet aircraft, could have two to four times as great an effect on the atmosphere as carbon dioxide alone. Fourth, the Intergovernmental Panel recently concluded that the rise in aviation emissions due to growing demand for air travel would not be fully offset by reductions in emissions achieved solely through technological improvements. Experts GAO interviewed, as well as the report of the Intergovernmental Panel, have cited several options for better understanding and mitigating the impact of aviation as the industry grows. These options include (1) continuing research to improve the scientific understanding of aviation's effects on the global atmosphere as a basis for guiding the development of aircraft and engine technology to reduce them, (2) promoting more efficient air traffic operations through the introduction of new technologies and procedures, and (3) expanding the use of regulatory and economic measures to encourage reductions in emissions.

Superfund: Analysis of Costs at Five Superfund Sites

GAO/RCED-00-22, Jan. 28 (62 pages).

Since the Superfund program began in 1980, the Environmental Protection Agency (EPA) has spent about \$17.7 billion to clean up hazardous waste sites. EPA oversees the work, but private contractors do the actual

cleanups—known as remedial actions—of Superfund sites. GAO has issued a series of reports that describe the portion of EPA’s funds spent on remedial actions by contractors, as opposed to other activities, such as studying conditions at sites, designing cleanup remedies, and travel. (See GAO/RCED-97-211, Sept. 1997, GAO/RCED-98-221, Aug. 1998, and GAO/RCED-99-139, May 1999.) This report examines the costs at the following five Superfund sites: the Raymark site in Stratford, Connecticut; the Sharon Steel site in Midvale, Utah; the United Creosoting site in Conroe, Texas; the NL Industries site in Granite City, Illinois; and the Newmark site in San Bernadino, California. For each site, GAO discusses (1) what portion of the total funds EPA spent on each site was used to pay contractors for remedial actions as opposed to other activities and how the contractors spent the money and (2) whether the actual costs for remedial actions differed from the estimated costs and why.

Testimony

Water Quality: Identification and Remediation of Polluted Waters Impeded by Data Gaps, by Peter F. Guerrero, Director of Environmental Protection Issues, before the Subcommittee on Water Resources and Environment, House Committee on Transportation and Infrastructure. GAO/T-RCED-00-88, Feb. 10 (12 pages).

The Clean Water Act has been credited with greatly improving the condition of the waters in the United States. This success comes largely from the control of pollutant discharges from industrial facilities and wastewater treatment plants, known as “point” sources of pollution. Despite this progress, many waters still do not meet water quality standards. Of particular concern are “nonpoint” sources of pollution—diffuse sources that include various land-based activities, such as timber harvesting, agriculture, and urban development—which are widely considered to be major contributors to the nation’s remaining water quality problems. The ability to deal with these problems cost-effectively depends on states’ efforts to monitor their waters to identify their most serious problems and to develop strategies to address them. States send a list to the Environmental Protection Agency that identifies waters that fail to meet water quality standards and develop total maximum daily loads (TMDL) for waters on their lists. TMDLs are intended to help restore water quality by reducing the amount of pollution entering a body of water to a level that will enable it to meet the standards. This testimony discusses (1) the adequacy of the data for identifying waters for states’ lists, (2) the adequacy of data for developing TMDLs for those waters, and (3) the key factors that affect the ability of states to develop TMDLs.

Financial Institutions

Financial Regulatory Coordination: The Role and Functioning of the President's Working Group

GAO/GGD-00-46, Jan. 21 (21 pages).

Following the highly publicized losses experienced by a large leveraged hedge fund in 1988 and the potential implications for worldwide financial markets, questions began to be raised about the role and functioning of the President's Working Group on Financial Markets. The Working Group was created by an executive order in response to the 1987 stock market crash, although since 1994 the Working Group has served as a mechanism to coordinate regulatory responses to various market events that have arisen. This group is composed of the Secretary of the Treasury and the chairs of the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, and the Commodity Futures Trading Commission. This report discusses (1) whether the issues listed for consideration by the Working Group by the executive order have been considered, (2) what additional issues have been considered by the Working Group and how they were identified, and (3) the nature of coordination and cooperation within the Working Group and the views of Members of Congress and Working Group participants about whether it needs to be formalized in statute.

Securities Operations: Day Trading Requires Continued Oversight

GAO/GGD-00-61, Feb. 24 (39 pages).

Day trading among less experienced investors is an evolving segment in the securities industry. Day traders represent less than 1/10th of one percent of all persons who bought or sold securities. They are, however, a growing part of trading on the Nasdaq, accounting for as much as 15 percent of total Nasdaq volume. These individuals all traded at specialized day trading firms. Some firms encourage anyone who wants to be a day trader, and has the necessary capital, to use the firm's systems and facilities to trade. These traders risk losing their own money. Other firms stress that they are only interested in qualified, professional traders. These traders risk the firms' capital, not their own, and can be fired if they lose significant sums. Some firms use a combination or variation of these strategies. The effects of day trading on both individual traders and the markets as a whole are unclear. Day trading is risky, and state regulators have reported that most day traders they investigated lost money.

However, officials at day trading centers GAO visited said that although most people lose money at first, most of their experienced traders made money. From a market standpoint, day traders' access to the markets provides direct competition for market makers and institutional traders that may benefit all individual investors, but day traders' frequent trading could also make market prices more volatile. Federal regulators, such as the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD), have taken steps to address the risks of day trading. They are concerned that firms have been advertising day trading as a profitable strategy without fairly disclosing its risks. The rule violations found most frequently at day trading firms involve supervisory procedures, net computations, and advertising. Regulators have also found violations involving margin and lending issues. Some of the day trading firms GAO visited recognize these regulatory concerns and said that they have taken steps to provide better disclosure; screen prospective traders; and restrict some activities, such as customer-to-customer lending. GAO recommends that SEC and NASD evaluate the implications of day trading for the integrity of the market after decimal trading is introduced. GAO also recommends that SEC do at least one more cycle of targeted examinations of day trading firms to ensure that the firms take the corrective actions they have proposed in response to earlier examination findings.

Financial Management

Financial Audit: IRS' Fiscal Year 1999 Financial Statements

GAO/AIMD-00-76, Feb. 29 (104 pages).

The Internal Revenue Service (IRS) has the daunting responsibility of collecting the nation's taxes, processing tax returns, and enforcing the tax laws. The size and complexity of the agency's operations—IRS has about 100,000 employees in locations across the country—present additional challenges for IRS management. Despite these challenges, IRS successfully collected about \$1.9 trillion in taxes in fiscal year 1999, processed hundreds of millions of tax returns, and paid about \$185 billion in refunds. IRS has responded to some of the management concerns that GAO has raised in the past. However, this audit of IRS' financial statements for fiscal year 1999 found that serious problems persist. These problems include (1) deficiencies in controls to properly manage unpaid assessments, resulting in both taxpayer burden and potentially billions of dollars in lost revenue for the government; (2) poor controls over tax refunds, potentially

allowing the disbursement of billions of dollars in improper refunds; (3) vulnerabilities in controls over hardcopy tax receipts and taxpayer data that increase the risk of inappropriate disclosure or loss of taxpayer data; (4) vulnerabilities in computer security that may allow unauthorized people to access, alter, or abuse sensitive IRS programs and data; (5) the failure to reconcile IRS' fund balance with Treasury records throughout fiscal year 1999; (6) inadequate systems and controls that resulted in the inability to properly account for IRS' property and equipment and related costs; (7) inadequate budgetary controls; and (8) an inadequate financial reporting process. Many of these problems have plagued IRS since GAO first began auditing the agency's financial statements in the early 1990s. These weaknesses prevented GAO from rendering an unqualified opinion on five of IRS' six financial statements. GAO summarized this report in testimony before Congress; see:

Internal Revenue Service: Results of Fiscal Year 1999 Financial Statement Audit, by Gregory D. Kutz, Associate Director for Governmentwide Accounting and Financial Management Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. GAO/T-AIMD-00-104, Feb. 29 (21 pages).

Correspondence

Financial Management: Information on Agencies' Fiscal Years 1997 and 1998 FFMIA [Federal Financial Management Improvement Act of 1996] Remediation Plans. GAO/AIMD-00-65R, Jan. 27.

Internal Controls: DOD Records Retention Practices Hamper Accountability. GAO/AIMD/OSI-00-48R, Feb. 4.

Securities Exchange Act: Review of Reporting Under Section 10A. GAO/AIMD-00-54R, Feb. 4.

Rural Utilities Service: Loan Origination Policies and Procedures for Generation and Transmission Loans. GAO/AIMD-00-89R, Feb. 10.

Financial Management: Review of the U.S. Fish and Wildlife Service's Reported Allocation of Resources for its Refuge Program and New Assistant Regional Manager Positions. GAO/AIMD-00-84R, Feb. 15.

GAO Report on Applying Agreed-Upon Procedures: Federal Unemployment Taxes. GAO/AIMD-00-80R, Feb. 25.

GAO Report on Applying Agreed-Upon Procedures: Airport and Airway Trust Fund Excise Taxes. GAO/AIMD-00-81R, Feb. 25.

GAO Report on Applying Agreed-Upon Procedures: Highway Trust Fund Excise Taxes. GAO/AIMD-00-82R, Feb. 25.

Government Operations

Managing for Results: Challenges Agencies Face in Producing Credible Performance Information

GAO/GGD-00-52, Feb. 4 (19 pages).

In the past, congressional policymaking, spending decisions, and oversight as well as agencies' decisionmaking have all been seriously handicapped by the lack of clear goals and sound performance information at federal agencies. To remedy that situation, the Government Performance and Results Act of 1993 requires agencies to set multiyear strategic goals, measure progress toward achieving those goals, and report on their progress. Agencies' annual performance reports are intended to provide important information to agency managers, policymakers, and the public on what each agency accomplished with the resources it was given. This report identifies some of the challenges that agencies face in producing credible performance information and how those challenges may affect performance reporting—the next phase in implementing the Results Act. GAO (1) discusses whether the weaknesses it has identified in agencies' performance plans imply challenges for the performance reports, (2) illustrates some of the challenges agencies face in producing credible performance data, and (3) describes how performance reports can be used to address data credibility issues.

Acquisition Reform: GSA and VA Efforts to Improve Training of Their Acquisition Workforces

GAO/GGD-00-66, Feb. 18 (35 pages).

Members of Congress have raised concern that the acquisition workforce in federal agencies—personnel responsible for billions of dollars of government procurement expenditures each year—may lack the training needed to do their jobs. This report discusses whether (1) the General Services Administration (GSA) and the Department of Veterans Affairs (VA)

have assurances that their acquisition workforces met federal training requirements and whether contracting officers at one GSA and one VA field location met each agency's training requirements; (2) the Office of Federal Procurement Policy had sought to ensure that civilian agencies collected and maintained standardized acquisition workforce information, as required by the 1996 Clinger-Cohen Act; and (3) GSA and VA were taking steps to comply with the funding requirements of the Clinger-Cohen Act.

2000 Census:

Actions Taken to Improve the Be Counted and Questionnaire Assistance Center Programs

GAO/GGD-00-47, Feb. 25 (15 pages).

The Census Bureau has added several initiatives to improve the accuracy and completeness of the population count in the 2000 Census. These initiatives include the "Be Counted" program as well as walk-in Questionnaire Assistance Centers. The Be Counted program is designed to count people who believe that they did not receive a census questionnaire, or who were otherwise omitted from the census. Aimed at traditionally hard-to-enumerate population groups, the Be Counted program is to make its forms available in various public locations, such as community centers, churches, and businesses. Questionnaire Assistance Centers are to help people—especially those who speak little or no English—complete their census questionnaires by providing assistance in several languages on a walk-in basis. The centers are also to distribute Be Counted forms. This report provides information on the status of these two programs, focusing on the steps that the Bureau has taken to address shortcomings that it encountered during the dress rehearsal.

Testimony

2000 Census: Status of Key Operations, by J. Christopher Mihm, Associate Director for Federal Management and Workforce Issues, before the Subcommittee on the Census, House Committee on Government Reform. GAO/T-GGD/AIMD-00-91, Feb. 15 (12 pages).

In a little more than six weeks—on Census Day (April 1, 2000)—the decade-long process of researching, planning, testing, and evaluating procedures for conducting the nation's largest peace-time mobilization will come to a close. At this critical juncture, it is important to examine the state of the census, the progress made to ensure a complete and accurate enumeration, and the level of risk that remains. Two recent GAO reports

discussed operational uncertainties that threaten a successful population count. (See GAO/GGD-00-6, Dec. 1999, and GAO/AIMD-00-61, Feb. 2000.) This testimony elaborates on the following three operational uncertainties highlighted in these reports: (1) achieving the Census Bureau's mail response rate objective, (2) collecting accurate and timely data from nonrespondents, and (3) conducting data capture options.

Correspondence

DC Courts: Review of Fiscal Year 1999 Defender Services Obligations. GAO/AIMD/OGC-00-68R, Jan. 27.

The Results Act: Observations on the U.S. Export-Import Bank's Draft Fiscal Years 2001-06 Strategic Plan. GAO/GGD/NSIAD-00-93R, Feb. 16.

Health

Adverse Drug Events: The Magnitude of Health Risk Is Uncertain Because of Limited Incidence Data

GAO/HEHS-00-21, Jan. 18 (47 pages).

About 2.7 billion prescriptions were filled in the United States in 1998. Although prescription drugs have great clinical benefits, serious adverse drug events can lead to hospitalization, disability, and even death. Adverse drug events are caused by harmful drug reactions or by medication errors committed by health care professionals and patients. Two factors that can increase the risk of a patients' suffering from an adverse drug event are illness severity and intensity of treatment, including taking several drugs simultaneously. Although it is clear that a wide range of commonly used drugs cause adverse drug events with potentially serious consequences for patients, relatively little is known about their frequency. Data routinely collected on adverse drug events during clinical trials or after drugs are marketed are intended to identify the adverse drug events that are associated with particular drugs and do not focus on their frequency. Information on the overall incidence of adverse drug events from all drugs has been limited to a few research studies that typically examined the experience of patients in one of two specific institutions—generally hospitals or sometimes nursing homes—leaving the overall incidence of adverse drug events in outpatient care largely unexplored. Greater understanding of certain factors that affect the likelihood of adverse drug events has led researchers and patient safety advocates to suggest a range of measures to decrease their number and severity. These proposals range

from better communication between doctors and patients about the risks and benefits of medications to accelerating research on the safety of marketed drugs. Suggestions for reducing medication errors include developing computerized prescribing and dispensing systems to detect possible errors, increasing the role of pharmacists as advisers to physicians and as monitors of drug therapy, and improving health care providers' pharmaceutical education. GAO summarized this report in testimony before Congress; see:

Adverse Drug Events: Substantial Problem but Magnitude Uncertain, by Janet Heinrich, Associate Director for Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor and Pensions. GAO/T-HEHS-00-53, Feb. 1 (18 pages).

**Medicare:
Lessons Learned From HCFA's Implementation of Changes
to Benefits**

GAO/HEHS-00-31, Jan. 25 (22 pages).

Medicare has undergone many changes as Congress has expanded and modernized the program. The Health Care Financing Administration's (HCFA) implementation of these changes has sometimes created program vulnerabilities. As a result, dishonest or unknowing providers have submitted claims for inappropriate service, unknowledgeable contractors have processed these claims, and HCFA has sometimes paid more than it should have. The Balanced Budget Act of 1997 set in motion additional changes that were intended to modernize the Medicare program, expand benefits, and extend the life of the Medicare trust fund. HCFA faces the challenge of implementing the act's provisions in a way that ensures beneficiaries' access to covered services without compromising the program's fiscal integrity. This report compares (1) HCFA's implementation of the expansion of the partial hospitalization benefit and (2) HCFA's implementation of the more recent changes under the act to determine whether HCFA is acting upon lessons learned from the partial hospitalization program.

**Drug Abuse Treatment:
Efforts Under Way to Determine Effectiveness of State Programs**

GAO/HEHS-00-50, Feb. 15 (37 pages).

The federal governments spends hundreds of millions of dollars on drug abuse treatment through the substance abuse prevention and treatment block grant program. Although the Substance Abuse and Mental Health Services Administration (SAMHSA) monitors state expenditures to determine whether block grant funds are used in accordance with statutory requirements, this type of monitoring is not designed to determine what impact state drug abuse treatment programs are having on the lives of clients. Some states are assessing the effectiveness of their treatment programs by using outcome indicators. SAMHSA officials believe that collecting uniform data on client outcomes at the state level is essential to determine the effectiveness of drug abuse treatment programs supported with federal money and to report the information to Congress. SAMHSA is trying to determine the availability of client outcome data from all states, and it has awarded grants to some states to help them improve their data collection systems. These efforts should help identify states' views on and some of the complexities associated with collecting and reporting outcome data. SAMHSA's efforts should help determine what additional actions are needed to get uniform reporting on the results of drug abuse treatment programs supported by the block grant program. GAO summarized this report in testimony before Congress; see:

Drug Abuse: Efforts Under Way to Determine Treatment Outcomes, by Janet Heinrich, Associate Director for Health Financing and Public Health Issues, before the Subcommittee on Criminal Justice, Drug Policy, and Human Resources, House Committee on Government Reform. GAO/T-HEHS-00-60, Feb. 17 (11 pages).

Testimony

Medicare: Program Reform and Modernization Are Needed but Entail Considerable Challenges, by David M. Walker, Comptroller General of the United States, before the Senate Special Committee on Aging. GAO/T-HEHS/AIMD-00-77, Feb. 8 (20 pages).

The Comptroller General's statement discusses the competing concerns at the heart of the Medicare reform debate and provides a conceptual framework for evaluating the possible combinations of reform options. To qualify as meaningful reform, a proposal should make a significant down payment toward ensuring Medicare's long-range financial integrity and sustainability—the most critical issues facing the program. Fundamental reforms are vital to reducing the program's growth, which threatens to absorb ever-increasing shares of the nation's budgetary and fiscal resources. At the same time, Medicare is outmoded from a programmatic

perspective. To address the need for an updated benefit package and adequate tools to moderate program spending, proposals have been advanced that would expand benefits while introducing changes to make beneficiaries more cost-conscious and incentives to make health care providers efficient. Ideally, the unfunded promises associated with today's program should be addressed before or concurrent with proposals to add new ones, such as prescription drug coverage. To do otherwise might be politically attractive but not fiscally prudent. If benefits are added, policymakers need to consider targeting strategies to fully offset their costs. Because of the size of Medicare's unfunded liability, it is realistic to expect that reforms intended to bring down future costs will have to proceed incrementally. As reform options come under greater scrutiny, the importance of design details should not be overlooked. GAO's work on efforts to implement recent reforms suggests that those details will determine whether reform options will be both effective and acceptable.

Adverse Events: Surveillance Systems for Adverse Events and Medical Errors, by Janet Heinrich, Associate Director for Health Financing and Public Health Issues, before subcommittees of the House Committee on Commerce and the House Committee on Veterans' Affairs. GAO/T-HEHS-00-61, Feb. 9 (12 pages).

Adverse events are injuries to patients caused by medical treatment. Medical errors are mistakes in medical care that may or may not harm a patient. Identifying adverse events and evaluating their causes are important parts to any strategy to reduce harm to patients. Several recent GAO reports have considered surveillance systems for medical products, particularly drugs and medical devices. (See GAO/HEHS-00-21, Jan. 2000, and GAO/HEHS-97-21, Jan. 1997.) GAO testified that although adverse events are recognized as a serious problem, the full magnitude of their threat to the American public is unknown. At the same time, gathering valid and useful information on adverse events is extremely difficult. For example, systems that rely on health care providers to take the initiative to make a report suffer from serious limitations. Moreover, many of the injuries that patients suffer as a result of medical treatment do not stem from errors but reflect the inherent risks of treatments that are administered correctly. It can be difficult to identify these adverse reactions and distinguish them from medical errors or from the course of a patient's underlying illness.

Prescription Drugs: Increasing Medicare Beneficiary Access and Related Implications, by David M. Walker, Comptroller General of the United

States, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HEHS/AIMD-00-99, Feb. 15 (20 pages); and

Prescription Drugs: Increasing Medicare Beneficiary Access and Related Implications, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Subcommittee on Health and Environment, House Committee on Commerce. GAO/T-HEHS/AIMD-00-100, Feb. 16 (20 pages).

Concerns are growing about gaps in the Medicare program, most notably the lack of outpatient prescription drug coverage, which may leave the most vulnerable program beneficiaries with high out-of-pocket costs that they can ill afford. Nearly one-third of Medicare beneficiaries lacked prescription drug coverage in 1996. At the same time, however, the long-term cost pressures confronting the Medicare program are considerable. A consensus appears to be emerging that substantive financing and programmatic reforms are needed to put Medicare on a sound footing in the future. These reforms are vital to reducing the program's growth, which threatens to consume ever-larger shares of the nation's budgetary and economic resources. Continuing economic prosperity and projected federal surpluses provide an opportunity to address the structural imbalances in Medicare, Social Security, and other entitlement programs. Congress faces the difficult decision of how best to guarantee the Medicare program's sustainability while being mindful of the plight of many seniors who cannot afford the latest pharmaceutical breakthroughs. Congress and the President may ultimately decide to include some form of prescription drug coverage as part of Medicare reform. Care must be taken, however, to ensure that any expansion of the program is accompanied by other programmatic reforms that will sustain Medicare's long-term financial integrity. This testimony discusses (1) the factors contributing to the growth in prescription drug spending and efforts to control that growth and (2) the design and implementation issues associated with proposals to improve seniors' access to affordable prescription drugs.

Medicare Reform: Leading Proposals Lay Groundwork, While Design Decisions Lie Ahead, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Finance. GAO/T-HEHS/AIMD-00-103, Feb. 24 (23 pages).

The Comptroller General's statement focuses on two leading Medicare reform proposals: the President's Plan to Modernize and Strengthen

Medicare for the 21st Century and S.1895, commonly known as the Breaux-Frist proposal. Both proposals recognize the need for more comprehensive reform—a position consistent with GAO’s belief that the unfunded promises associated with today’s program should be addressed before adding new benefits, such as prescription drug coverage. Such additions must be considered in the context of broader efforts to correct Medicare’s current fiscal imbalance and sustain the long-term viability of this popular program. Also, any reform package should include a mechanism to monitor aggregate program costs over time and establish funding thresholds that would trigger a call for fiscal action. In the case of both proposals, the details will need to be worked out. And those details will determine whether the reforms will be effective and acceptable.

Correspondence

Medicare: Methodology to Identify and Measure Improper Payments in the Medicare Program Does Not Include All Fraud. GAO/AIMD-00-69R, Feb. 4.

Income Security

Social Security Reform: Information on the Archer-Shaw Proposal

GAO/AIMD/HEHS-00-56, Jan. 18 (30 pages).

This report applies GAO’s criteria for assessing Social Security reform proposals to the plan outlined by Congressman Archer. GAO’s report is based on an analytical framework that the agency provided to Congress last March. That framework consists of the following three criteria: the extent to which the proposal achieves sustainable solvency and how it would affect the U.S. economy and the federal budget; the balance struck between the twin goals of income adequacy (level and certainty of benefits) and individual equity (rates of return on individual contributions); and how readily such changes could be implemented, administered, and explained to the public.

Testimony

SSA Customer Service: Broad Service Delivery Plan Needed to Address Future Challenges, by Cynthia M. Fagnoni, Director of Education, Workforce, and Income Security Issues, before the Subcommittees on Human Resources and Social Security, House Committee on Ways and Means. GAO/T-HEHS/AIMD-00-75, Feb. 10 (29 pages).

The Social Security Administration (SSA) will be challenged to maintain a high level of service to the public in the next decade and beyond. Demand for services is expected to grow significantly. At the same time, the expectations and needs of SSA's customers are changing. Some want faster, more convenient service, while others, such as non-English speakers and the many beneficiaries with mental impairments, may require additional help from SSA staff. SSA's ability to respond to these challenges will be difficult because the number of SSA employees who retire is expected to peak at the same time that large increases will occur in applications for benefits. Although GAO has recommended since 1993 that SSA prepare a service delivery plan, the agency is only now beginning to develop a broad vision for customer service for 2010. In the meantime, SSA is counting on efficiencies from technology to help it cope with its rising workload. SSA has had mixed success with its information technology initiatives, however, and the benefits from its technology investments have largely been unclear. On the other hand, SSA's efforts to prepare for the rising number of retirements among its own workforce and changing customer needs and expectations have shown more promise, although many initiatives are still in the early stages and much work remains. SSA needs to fully assess the skills that its workforce will need to serve its customers in the future. SSA also needs to ensure continuity in leadership through ongoing succession planning efforts. Without a vision for future service followed by a more detailed service delivery plan, SSA cannot be sure that its investments in technology and human capital—that is, its workforce—are consistent with and fully support its future approach to delivering services.

Correspondence

Social Security Reform: Evaluation of the Gramm Proposal.
GAO/AIMD/HEHS-00-71R, Feb. 1.

Information Management

Telecommunications: Development of Competition in Local Telephone Markets

GAO/RCED-00-38, Jan. 25 (57 pages).

The Telecommunications Act of 1996 sought to spur competition in local telephone and other telecommunications markets. GAO found that little competition has emerged in local phone markets so far, but new competing carriers are pursuing several different market strategies. Incumbent local telephone service providers controlled all but about three

percent of the traditional wireline local telephone service market as of December 1998. The number of lines that competing carriers serve, however, has increased rapidly, approximately tripling in 1998 alone. Although competing carriers have focused on serving relatively profitable urban business communities, some of the competing carriers GAO interviewed in five states were serving other markets, such as residential customers and customers outside the largest cities. An important competitive strategy being undertaken by both competing and incumbent carriers is the simultaneous marketing and sale of a package of various telecommunications services, including local and long-distance telephone service, Internet access, wireless telephone services, and video services. More competition in local phone markets will depend, in part, on how several key issues are resolved. For example, the act required incumbent carriers to provide competing carriers with access to elements of their telephone networks, such as equipment and facilities, to enable those competing carriers to order and provide service to their own customers. GAO's discussions with competing and incumbent carriers in five states, however, suggest that providing this access has been difficult because these incumbents' systems were not designed to be accessible to external users. Competing carriers in the five states also said that the act and accompanying rules need better enforcement. Despite the minimal competition that has emerged in the market so far, GAO believes that more competition is likely in the local telephone markets because competing carriers continue to expand their market share, these carriers are using all entry modes envisioned by the act, legal and regulatory issues are increasingly being clarified, and the packaging of telecommunications services may allow firms to compete effectively for local telephone customers. The Federal Communications Commission and state regulators are taking steps that suggest greater enforcement efforts in the future.

**2000 Census:
New Data Capture System Progress and Risks**

GAO/AIMD-00-61, Feb. 4 (101 pages).

The 2000 decennial census—the largest peacetime mobilization in the nation's history—will significantly influence the lives of every U.S. resident. In preparation, the Census Bureau will be staffing 1.35 million temporary field positions to capture 1.5 billion pages of data from about 119 million households. To meet this massive challenge, the Bureau plans to rely heavily on information technology, including its new Data Capture System 2000. The system will operate at four data capture centers to check

in, digitally image, and optically read the data handwritten onto census forms and covert these data into files that will be sent to Bureau headquarters for tabulation and analysis. This report discusses the state and quality of the system as well as the risks that the Bureau faces in successfully completing the system.

**Land Management Systems:
Status of BLM's Actions to Improve Information
Technology Management**

GAO/AIMD-00-67, Feb. 24 (21 pages).

The Bureau of Land Management (BLM) is developing the Automated Land and Mineral Record System (ALMRS)/Modernization to improve its ability to record, maintain, and retrieve information on land descriptions, ownership, and use. GAO reported last year that a major component of the ALMRS/Modernization failed to meet BLM's business needs and was not deployable. (See GAO/T-AIMD-99-102, Mar. 1999.) GAO cited many problems and risks that threatened the successful development and deployment of the ALMRS/Modernization and recommended measures to help BLM strengthen its information technology management practices and reduce the risk of future failures. This report determines whether BLM has (1) adequately assessed the usability of the ALMRS Initial Operating Capability and alternatives to meet its business needs, (2) adequately assessed and strengthened its investment management processes and practices, (3) obtained an independent assessment of its systems acquisitions capabilities and strengthened its systems acquisition processes, and (4) made or is making sizable investments before strengthening its investment management and systems acquisition processes.

Testimony

Critical Infrastructure Protection: Comments on the National Plan for Information Systems Protection, by Jack L. Brock, Jr., Director of Governmentwide and Defense Information Systems Issues, before the Subcommittee on Technology, Terrorism, and Government Information, Senate Committee on the Judiciary. GAO/T-AIMD-00-72, Feb. 1 (13 pages).

Government officials are increasingly concerned about computer attacks from individuals and groups with malicious intentions, including terrorists and nations engaging in information warfare. The dramatic rise in the interconnectivity of computer systems has compounded this threat. Today, massive computer networks provide pathways among systems that, if not

properly secured, can be used to gain unauthorized access to data and operations from remote locations. The National Plan for Information Systems Protection calls for strengthening the defenses against threats to critical public and private-sector computer systems—particularly those supporting public utilities, telecommunications, finance, emergency services, and government operations. The Plan is intended to begin a dialogue and help develop plans to protect other elements of the nation's infrastructure, including the physical infrastructure and the roles and responsibilities of state and local governments and private industry. In GAO's view, the Plan is an important and positive step toward building the cyber defenses necessary to protect critical information and infrastructures. It (1) identifies the risks arising from the nation's dependence on computer networks for critical services, (2) recognizes the need for the federal government to take the lead in addressing critical infrastructure risks and to serve as a model for information security, and (3) outlines key concepts and general initiatives to help achieve these goals. Opportunities exist, however, to improve the plan and address significant challenges to building the public-private partnership necessary for comprehensive infrastructure protections. GAO believes that, rather than emphasizing intrusion detection capabilities, the plan should strive to provide agencies with the incentives and the tools to implement the management controls essential to comprehensive computer security programs. Also, the plan relies heavily on legislation and requirements already in place that, as a whole, are outmoded and inadequate as well as poorly implemented by the agencies.

Information Security: Fundamental Weaknesses Place EPA Data and Operations at Risk, by David L. McClure, Associate Director for Governmentwide and Defense Information Systems Issues [This statement was originally prepared in anticipation of a hearing before the Subcommittee on Oversight and Investigations, House Committee on Commerce, on Feb. 17, 2000.] GAO/T-AIMD-00-97 (14 pages).

GAO found serious and pervasive problems that essentially render the Environmental Protection Agency's (EPA) agencywide information security program ineffective. Current security program planning and management is largely a paper exercise that has done little to identify, evaluate, and mitigate risks to the agency's data and computer systems. Moreover, on the basis of its tests of computer-based controls, GAO concludes that the computer operating systems and the agencywide computer network that support most of EPA's mission-related and financial operations are riddled with security weaknesses. Of particular concern is that many of the most

serious weaknesses GAO identified—those related to inadequate protection from intrusions via the Internet and poor security planning—had been reported to EPA management in 1997 by the agency's Inspector General. The repercussions of such weaknesses are illustrated by EPA's own records, which show several serious computer security incidents in the last two years that have damaged and disrupted agency operations. GAO has also identified shortcomings in EPA's incident detection and handling capabilities that call into questions the agency's ability to fully understand and assess the nature of or damage due to its computer security breaches. The result is that EPA's computer systems are highly vulnerable to tampering, disruption, and misuse, and EPA cannot guarantee the protection of sensitive business and financial data kept on its larger computer systems or supported by its agencywide network.

SBA Loan Monitoring System: Substantial Progress Yet Key Risks and Challenges Remain, by Joel C. Willemssen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Government Programs and Oversight, House Committee on Small Business. GAO/T-AIMD-00-113, Feb. 29 (27 pages).

The Small Business Administration (SBA) increasingly needs to monitor the activities of lenders that help deliver its programs. Annual loan approvals for the 7(a) General Business Loan Guarantee Program and the section 504 Certified Development Company Debenture Program have nearly doubled since 1992, and the loan portfolio for all its programs now exceeds \$40 billion. During that same period, SBA cut its staff by 20 percent and shifted to lenders the responsibility for key loan origination, servicing, and liquidation functions. Lenders now originate about 75 percent of new loans with little or no SBA involvement in the eligibility and credit approval processes. To improve its ability to monitor loans and lenders, SBA has proposed a loan monitoring system to help manage its loan portfolios, identify and mitigate the risks incurred through loans guaranteed by SBA, implement oversight of internal and external operations, and calculate subsidy rates. GAO reported in June 1997 that SBA had not undertaken the essential planning needed to develop the proposed system. (See GAO/AIMD-97-94.) Congress later required SBA to perform eight planning actions that would serve as the basis for funding the system's development and implementation. This testimony (1) examines SBA's progress in completing the mandated actions, (2) evaluates SBA's products completed so far, (3) discusses the processes used to develop these products and manage key activities, and (4) outlines steps that the agency needs to take to manage risks.

Correspondence

Executive Office of the President: Analysis of EOP's Information Technology Architecture Update and Capital Investment Plan Report. GAO/AIMD-00-63R, Feb. 4.

VA Systems Security: Information System Controls at the North Texas Health Care System. GAO/AIMD-00-52R, Feb. 1.

Critical Infrastructure Protection: National Plan for Information Systems Protection. GAO/AIMD-00-90R, Feb. 11.

International Affairs

Testimony

World Trade Organization: Seattle Ministerial-Outcomes and Lessons Learned, by Susan S. Westin, Associate Director for International Relations and Trade Issues, before the Subcommittee on Trade, House Committee on Ways and Means. GAO/T-NSIAD-00-84, Feb. 8 (10 pages); and

World Trade Organization: Seattle Ministerial-Outcomes and Lessons Learned, by Susan S. Westin, Associate Director for International Relations and Trade Issues, before the Senate Committee on Finance. GAO/T-NSIAD-00-86, Feb. 10 (10 pages).

Member countries of the World Trade Organization (WTO) failed to meet their goal of launching a new round of multilateral trade negotiations at their biennial ministerial conference last December in Seattle. Although a combination of factors led to the impasse, two themes emerged. First, there was a lack of agreement on many issues among major trading partners and between developed and many developing countries on the eve of the conference. The sensitivity and complexity of the issues to be discussed led to disagreements over the scope of the negotiations. Second, the Seattle negotiation process had inherent difficulties. For example, the document used as the basis for negotiations was a poor starting point for reaching consensus. Also, the negotiating process was hampered by the newness of the WTO leadership team and the challenge of accommodating the needs and interests of a large and increasingly diverse WTO membership. The following lessons can be learned: Efforts to launch a new round of negotiations may have been premature. Ministerial conferences are more likely to succeed if they address only a handful of politically difficult decisions and consensus is reached on most issues

beforehand. WTO needs to find ways to address the institutional challenges posed by the increase in the number and the diversity of its members. Holding high-profile WTO meetings in countries that are major trading partners, such as the United States and the European Union, may pose difficulties.

Global Health: The U.S. and U.N. Response to the AIDS Crisis in Africa, by Benjamin F. Nelson, Director of International Relations and Trade Issues, before the Subcommittee on African Affairs, Senate Committee on Foreign Relations. GAO/T-NSIAD-00-99, Feb. 24 (six pages).

Despite breakthroughs in the prevention and treatment of AIDS, the epidemic continues to grow in Africa. The broader economic and social consequences are becoming clear—and they are not good. During the last decade, the life expectancy in nine African countries fell by more than 17 years because of AIDS. The United Nation's Joint Program on HIV/AIDS estimates that 42 million African children will lose one or both parents to AIDS by 2010. In addition, the gross domestic product in many counties is expected to decline by as much as 20 percent. The countries in sub-Saharan Africa are among the poorest in the world, and their ability to respond to the epidemic is limited. At the same time, the United States and the United Nations have made important contributions to the fight against AIDS. Research supported by the U.S. Agency for International Development has helped to identify proven interventions to help stop the spread of the disease. The U.N.'s Joint Program on HIV/AIDS has been an important advocate for greater spending on AIDS programs by national governments, private companies, and donors. The World Bank, however, estimates that \$1 billion is needed annually to address the epidemic in Africa—more than three times the current level of spending.

Export Controls: National Security Risks and Revisions to Controls on Computers, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, before the Senate Committee on Armed Services. GAO/T-NSIAD-00-104, Feb. 28 (nine pages).

The United States has long controlled the export of high-performance computers to sensitive destinations, such as Russia and China. These computers have both civil and military uses, and technological advances in computing power have been rapid. The Commerce Department has primary responsibility for managing the licensing of these dual-use items and weighing the promotion of commercial interests in exporting items against the protection of national security interests. Congress has raised

concerns in recent years about whether U.S. national security is being harmed by relaxing export controls on high-performance computers and over the rationale for subsequent revised controls. The executive branch has yet to clearly articulate the specific national security interests to be protected by controlling the export of computers at various performance levels. It also has not indicated how countries of military concern could benefit from using such technology. Without a clear statement of these interests, it is unclear how the executive branch determines what are militarily critical applications that may affect U.S. national security. Also, the executive branch has revised export controls on computers because it believes that these machines, at the previously approved levels, had become so widely available in the market that their export is uncontrollable. However, GAO could not assess the justification for the July 1999 export control levels because the terms “widely available” and “uncontrollable” used to explain the policy change are not clearly defined and are not found in law or regulation.

Justice and Law Enforcement

Structured Settlements: The Department of Justice’s Selection and Use of Annuity Brokers

GAO/GGD-00-45, Feb. 16 (16 pages).

The federal government solicits the services of private brokers to help structured settlements with claimants in lawsuits against federal agencies. Because private brokers can earn lucrative commissions from insurance companies, the Justice Department has issued policy and guidance to promote fairness and avoid the appearance of favoritism in choosing these brokers. Justice officials told GAO that the agency’s policies and guidelines permit some discretion and that, when selecting a broker, they generally relied on such factors as reputation, past experience, knowledge, and location. However, Justice officials were unable to explain why attorneys selected particular brokers to settle specific cases because Justice did not require documentation of these decisions. Overall, the six federal agencies GAO surveyed described policies and guidance in selecting structured settlement brokers that were similar to those of Justice. Like Justice, however, none of the agencies required their attorneys to document their reasons for picking a specific broker. GAO’s review of the list of the structured settlement brokerage companies used by Justice and the number of settlements assigned to each company showed that Justice chose a handful of companies to handle most of its structured

settlement business. Between May 1997 and May 1999, 70 percent of 242 claims totaling \$236 million were awarded to four brokerage companies.

Correspondence

Drug Control: U.S. Efforts in Latin America and the Caribbean.
GAO/NSIAD-00-90R, Feb. 18.

National Defense

Gulf War Illnesses: Management Actions Needed to Address Basic Research Questions

GAO/NSIAD-00-32, Jan. 6 (59 pages).

The Departments of Veterans' Affairs, Health and Human Services, and Defense (DOD) spent more than \$121 million during fiscal years 1997 and 1998 to research and investigate the illnesses of Gulf War veterans. DOD spent \$112 million of this amount, mostly through its Office of the Special Assistant for Gulf War Illnesses. The results of the research and the investigation efforts are accruing slowly, and basic questions about the causes, the course of development, and the treatments of Gulf War veterans' illnesses remain unanswered. GAO found that the activities of the Office of the Special Assistant are not effectively coordinated with those of the Research Working Group. Also, work was improperly awarded to the Office's support contractors for tasks worth more than \$20 million. GAO summarized this report in testimony before Congress; see:

Gulf War Illnesses: Basic Questions Unanswered, by Kwai-Cheung Chan, Director of Special Studies and Evaluations, before the Subcommittee on National Security, Veterans' Affairs, and International Relations, House Committee on Government Reform. GAO/T-NSIAD-00-79, Feb. 2 (nine pages).

Department of the Navy: Breakdown of In-Transit Inventory Process Leaves It Vulnerable to Fraud

GAO/OSI/NSIAD-00-61, Feb. 2 (10 pages).

GAO reported last year that the Navy was unable to account for more than \$3 billion worth of inventory, including classified and sensitive items, that was in transit within and between storage facilities, repair facilities, and end users. (See GAO/NSIAD-99-61, Mar. 1999.) The Navy later obtained receipts for 45 of 79 shipments in question, leaving 34 shipments still unaccounted

for. This follow-up report reviews the status of 23 of those shipments. GAO found that most of the shipments written off as lost by the Navy had in fact been delivered. Twenty of the 23 shipments were delivered but, because of procedural and system problems, were not reported as received. GAO was unable to determine the whereabouts of the remaining three shipments because the Navy could not provide documentation. During GAO's earlier review, Navy officials claimed that some items written off as lost had actually been received. They could not, however, provide evidence to support their contention. They said that their information was based primarily on telephone calls and e-mail messages from the issuing facilities to the intended recipients. GAO found that this was primarily shipping information that was not proof of either delivery or receipt. Although GAO's investigation uncovered no evidence of theft in the shipments it reviewed, GAO believes that the inventory process is susceptible to waste, fraud, and abuse. In-transit inventory discrepancies reduce the reliability of the Defense Department's inventory financial reports by obscuring true inventory losses and misstating the number of items on hand.

**Defense Inventory:
Plan to Improve Management of Shipped Inventory Should
Be Strengthened**

GAO/NSIAD-00-39, Feb. 22 (36 pages).

The military, which ships inventory worth billions of dollars to various locations around the world each year, has had long-standing problems tracking this inventory from origin to destination. Concerns about the vulnerability of this inventory to waste, fraud, and abuse prompted Congress to pass legislation requiring the Defense Department to prepare a comprehensive plan for tracking inventory while it is being shipped. DOD refers to these shipments as "in-transit inventory." DOD's plan is required to include steps to address these tracking problems, statements of objectives for the actions, and performance measures and schedules. The plan must also identify any resources needed to implement the required actions, along with an estimate of annual costs. This report determines whether the plan (1) responds to the law's provisions, (2) contains the management elements needed to guide effective implementation, and (3) adequately addresses other underlying weaknesses that led to the ineffective control of inventory shipments.

**Defense Budget:
DOD Should Further Improve Visibility and Accountability of O&M
Fund Movements**

GAO/NSIAD-00-18, Feb. 9 (96 pages).

The Defense Department's (DOD) single largest appropriation group—Operation and Maintenance (O&M)—funds training, maintenance, and other key readiness activities as well as other expenses not directly related to readiness. Congress has provided about \$104 billion for all these activities in fiscal year 2000. Congress has raised concerns about the extent to which the funds that directly affect readiness—generally those in the operating forces' portion of the O&M budget—have been reduced to pay for other O&M expenses. This report (1) identifies the aggregated differences between the amounts that Congress initially designated for O&M subactivities (especially the readiness-related subactivities) and those DOD reported as obligated for the same subactivities, (2) identifies those O&M subactivities for which DOD obligated funds differently than recommended by Congress in each year of the five-year periods GAO examined (1994 through 1998), and (3) assesses the information available to Congress to track DOD's movement of funds among O&M subactivities.

**Military Capabilities:
Focused Attention Needed to Prepare U.S. Forces for Combat in
Urban Areas**

GAO/NSIAD-00-63NI, Feb. 25 (37 pages).

Throughout history, urban military operations have been some of the most dangerous and costly types of military operations. Sieges of cities can result in high numbers of deaths among both soldiers and civilians and can extensively damage critical facilities and support services. Military planners expect that future adversaries will try to draw U.S. troops into dense urban areas to counter the superior firepower, mobility, and other combat advantages that U.S. forces enjoy in open terrain. Nearly 14,000 U.S. troops are now deployed in urban areas, mostly in Bosnia and Kosovo. To address the complexities and challenges of urban warfare, the U.S. military services are updating their urban doctrine to provide units with guidelines and techniques for carrying out combat operations in cities. However, joint experimentation—which is designed to systematically evaluate what new doctrine, organizations, and equipment are needed for urban operations—has not taken place because plans have

not been fully funded. Joint experimentation would complement individual service efforts by identifying shortfalls in capabilities the services need to effectively fight together. The services are concentrating their urban training on individual soldiers and small units, such as squads, platoons, and companies. However, the services have yet to conduct urban training jointly, even though the Defense Department has emphasized that most military operations, such as those in the Balkans, are likely to involve multiple services. Moreover, although the services plan to build new urban training facilities, they have not fully coordinated their plans. Service officials acknowledge that many of the existing facilities do not realistically represent the full range of challenges, such as medium and tall buildings, that U.S. forces are likely to encounter. Also, U.S. forces now lack adequate information with which to plan and conduct urban operations because the intelligence community has assigned urban warfare a low priority. Shortfalls in urban intelligence, including detailed information on city transportation, communications, utilities, and other facilities, are especially important for developing countries where the potential for U.S. urban operations appears greatest.

**Defense Budget:
Analysis of Real Property Maintenance and Base Operations
Fund Movements**

GAO/NSIAD-00-87, Feb. 29 (25 pages).

Congress has raised concerns about the extent to which the military has moved funds that directly affect readiness, such as those that finance training, to pay for real property maintenance and base operations. GAO found that from fiscal years 1994 through 1999, the military reported obligations that were \$7.1 billion (eight percent) more for real property maintenance and base operations than the \$88.6 billion initially designated by Congress. Nearly three-fourths of the \$2.7 billion increase from fiscal year 1996 to 1999 went for base operations, with the rest going to real property maintenance. For fiscal years 1994 through 1999, the services' movement of funds in and out of unit training varied. The Army and the Air Force have moved unit training funds to base operations and real property maintenance. GAO summarized this report in testimony before Congress; see:

Defense Budget: Visibility and Accountability of O&M Fund Movements, by Norman J. Rabkin, Director of National Security Preparedness Issues,

before the Subcommittee on Military Readiness, House Committee on Armed Services. GAO/T-NSIAD-00-98, Feb. 29 (12 pages).

Testimony

DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks, by Carol R. Schuster, Associate Director for National Security Preparedness Issues, before the Subcommittee on National Security, Veterans Affairs, and International Relations, House Committee on Government Reform. GAO/T-NSIAD-00-65, Feb. 16 (12 pages).

Between 1982 and 1999, 80 people were convicted of committing espionage against the United States; 68 of them were Defense Department (DOD) employees, and all had undergone personnel security investigations and held security clearances. GAO's evaluation of personnel security investigations by the Defense Security Service—the key agency responsible for investigating DOD's civilian and military personnel, consultants, and contractors—uncovered serious lapses in the thoroughness and timeliness of the investigations. This finding raises questions about the risks that such lapses pose to national security. An analysis of 530 personnel security investigations found that the vast majority did not comply with federal standards for conducting such investigations. All of the persons investigated were granted top security clearances even though Defense Security Service investigators had not always verified such basic information as residency, citizenship, or employment. Also, investigations had not been completed in a timely manner, and a backlog of more than 600,000 cases now awaits reinvestigation. In examining the reasons for these deficiencies, GAO found that the Defense Security Service—in an effort to streamline operations and improve efficiency—relaxed its investigative guidance, eliminated key quality control mechanisms, inadequately trained its investigators, and ineffectively managed the automation of its case-processing system. The underlying cause of the Defense Security Service's problems, however, is poor oversight by DOD.

Military Personnel: First-Term Recruiting and Attrition Continue to Require Focused Attention, by Norman J. Rabkin, Director of National Security Preparedness Issues, before the Subcommittee on Personnel, Senate Committee on Armed Services. GAO/T-NSIAD-00-102, Feb. 24 (18 pages).

During the last two years, the Army, the Navy, and the Army Forces have been having difficulty recruiting qualified enlisted personnel. The three services have responded by refocusing attention on this area and adding

resources. For example, most have increased their recruiting budgets and added recruiters. They have also offered larger enlistment bonuses and more money for college. The services have also tried more innovative ways to expand their shrinking recruiting market without sacrificing the quality of recruits. For example, the Army is experimenting with attracting youth who lack high school diplomas. The Army is prepared to sponsor these applicants and help them attain enlistment standards through attendance-based courses. The services also hope to more vigorously target students at community colleges. The services' recruiting problems are compounded by the fact that they have historically lost about one-third of their enlistees before the initial terms of service have been completed. Although many of the services' efforts to remedy this problem appear promising, the military's overall rate of attrition continues to rise: it reached an all-time high of nearly 37 percent at the end of fiscal year 1998. The services will not be able to develop appropriate measures to reduce attrition until they have more precise data on why these new recruits are leaving the military early—a point raised in earlier GAO reports. (See GAO/NSIAD-97-39, Jan. 1997, and GAO/NSIAD-98-213, Sept. 1998.) The Defense Department and the services are making progress in collecting accurate data on why people leave the service early, especially for medical reasons. However, despite efforts to target enlistees whom they want to rehabilitate, such as those who fail the physical training test or appear to be struggling with academic or language problems in basic training, the services have yet to extend their data collection efforts to include other reasons for separation.

Natural Resources

Fish and Wildlife Service: Agency Needs to Inform Congress of Future Costs Associated With Land Acquisitions

GAO/RCED-00-52, Feb. 15 (41 pages).

Since the first national wildlife refuge was established in 1903, the nation's wildlife refuge system has grown to include 521 refuges on more than 90 million acres. Members of Congress have raised concerns about whether the Fish and Wildlife Service established refuges with migratory bird funds after Congress denied appropriations from land and water funds for that purpose. GAO found that of the 23 refuges that the Service established between 1994 and 1998, only eight used federal funds—\$4 million from the land and water fund. No migratory bird funds were used. The remaining 15 refuges were established with land that was

donated, transferred, or exchanged. The Service is not currently required to inform Congress of refuges established through donations or other means outside the appropriations process at the time they are established. As a result, congressional appropriations committees may be unaware of these refuges until the Service later asks for land and water funds to expand them. The Service also need not inform Congress of estimated future operations and maintenance costs when it establishes refuges. When the Service does establish a refuge, however, it estimates the costs of future land acquisitions and of operations and maintenance for that specific refuge. GAO believes that it would be useful for the Service to provide this information to Congress. Although the Service's automated priority-setting system for land and water projects creates a national priority list, the priorities are (1) based on criteria that are too subjective and (2) do not represent a true relative ranking of projects. GAO summarized this report in testimony before Congress; see

Fish and Wildlife Service: Agency Needs to Inform Congress of Future Costs Associated With Land Acquisitions, by Jim Wells, Director of Energy, Resources, and Science Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-RCED-00-89, Feb. 15 (10 pages).

Testimony

Forest Service: Status of Efforts to Improve Accountability, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-RCED/AIMD-00-93, Feb. 16 (11 pages).

This testimony, which draws on two recent reports (GAO/RCED/AIMD-00-2, Oct. 1999, and GAO/RCED-99-2, Dec. 1998) and ongoing GAO work, discusses the status of efforts by the Forest Service to achieve accountability for the tax dollars appropriated to it to carry out its mission. GAO summarizes the (1) actions that the agency has taken to improve its financial and performance accountability, (2) remaining hurdles to those improvements, and (3) strategies that the agency is developing to overcome these hurdles.

Social Services

Correspondence

Child Care: State Requirements for Background Checks. GAO/HEHS-00-66R, Feb. 28.

Tax Policy and Administration

Testimony

IRS Restructuring Act: Implementation Under Way but Agency Modernization Important to Success, by James R. White, Director of Tax Policy and Administration Issues, before the Senate Committee on Finance. GAO/T-GGD-00-53, Feb. 2 (nine pages).

This testimony discusses the Internal Revenue Service's (IRS) progress in implementing the taxpayer rights and protections mandated by the IRS Restructuring and Reform Act of 1998. The act was passed in response to concerns that IRS had been overemphasizing revenue production and compliance at the expense of fairness and consideration of taxpayer interests. GAO found that IRS has made a concerted effort to implement the taxpayer protection provisions. In some cases, implementation is not complete, and in others, it is too soon to tell whether implementation will be successful. IRS has had difficulty in implementing some of the act's mandates. These problems include determining when enforced collection actions, such as the seizure of taxpayers' assets, are appropriate and responding to requests for relief under the innocent spouse provisions. GAO believes that IRS' efforts to modernize its organizational structure, performance management system, and information systems are heading the agency in the right direction. If successful, IRS' modernization efforts should create an agency culture dedicated to serving the public and spur efficiency improvements throughout the agency. Both are necessary: a culture change to institutionalize taxpayer service as a core value, and efficiency gains to allow IRS to better target its resources to promote compliance and taxpayer service.

Correspondence

IRS Restructuring Act Implementation. GAO/GGD-00-71R, Feb. 28.

Transportation

Testimony

Federal Aviation Administration: Challenges in Modernizing the Agency, by Gerald L. Dillingham, Associate Director for Transportation Issues, before the Senate Committee on the Budget and the Subcommittee on Transportation, Senate Committee on Appropriations. GAO/T-RCED/AIMD-00-87, Feb. 3 (20 pages).

U.S. airspace carries by far the largest volume of air traffic in the world—a volume that is expected to rise significantly within the decade. If not managed effectively, this projected growth could affect safety and cause aviation gridlock. The limited window of opportunity to address this situation has prompted the Federal Aviation Administration (FAA) to undertake efforts to improve its performance and Congress to provide the agency with greater flexibility in procurement and personnel matters. Continuing dissatisfaction with FAA's efforts, however, has led to proposals to overhaul the agency's organizational structure. This testimony (1) highlights the key areas that have hampered FAA's ability to achieve desired outcomes, (2) discusses various proposals for restructuring the agency, and (3) describes the steps that FAA and Congress can take to help the agency address its challenges more effectively and efficiently.

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Department of Health and Human Services, Health Care Financing Administration: Medicare Program, Medicare Inpatient Disproportionate Share Hospital Adjustment Calculation; Change in the Treatment of

Certain Medicaid Patient Days in States With 1115 Expansion Waivers. GAO/OGC-00-18, Feb. 4.

Federal Communications Commission: Wireless Radio Services; Compatibility With Enhanced 911 Emerging Calling Systems. GAO/OGC-00-20, Feb. 8.

Environmental Protection Agency: Control of Air Pollution From New Vehicles; Tier 2 Motor Vehicle Emission Standards and Gasoline Sulfur Control Requirements. GAO/OGC-00-22, Feb. 23.

Department of Agriculture, Farm Service Agency and Commodity Credit Corporation: 1999 Crop and Market Loss Assistance. GAO/OGC-00-25, Feb. 29.

Legal Decisions and Opinions

Tennessee Valley Authority-False Claims Act Recoveries. B-281064, Feb. 14.

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